

Title: First Philippine International Bank vs. Court of Appeals, Carlos Ejercito, et al.

Facts:

The case involves a dispute over the sale of six parcels of land in Sta. Rosa, Laguna between First Philippine International Bank (FPB, formerly Producers Bank of the Philippines) and the buyers led by Carlos Ejercito, substitute to original plaintiffs Demetrio Demetria and Jose Janolo.

FPB, dealing with liquidity issues, was under the conservatorship of the Central Bank of the Philippines. Negotiations for the sale of the land started in August 1987. Plaintiffs led by Janolo met with FPB's Property Management Department head, Rivera, and eventually made a formal purchase offer for P3.5 million. Rivera, on behalf of FPB, counter-offered at P5.5 million. After negotiations and multiple exchanges of communication, Janolo and his legal partner Demetria accepted FPB's offer of P5.5 million, and a letter confirming their acceptance was sent to FPB.

The dispute arose when Leonida T. Encarnacion replaced Rodolfo Romey as the Acting Conservator of FPB. Encarnacion repudiated Rivera's authority to enter into contracts on behalf of FPB, effectively annulling the sale of the parcels of land. Demetria and Janolo filed for specific performance with damages against FPB, Rivera, and Encarnacion. The trial court rendered a decision in favor of Demetria and Janolo, which was then modified and affirmed by the Court of Appeals.

The proceedings in the appellate court were marked by further contention, with interventions and additional cases filed, hinting at forum-shopping. FPB, through its majority shareholders and directors, initiated a derivative suit to declare the sale unenforceable. This derivative suit was pending in the Regional Trial Court of Makati concurrently with the proceedings in the Court of Appeals, leading to allegations of forum-shopping against FPB.

Issues:

1. Whether there was forum-shopping by FPB.
2. Whether there was a perfected contract of sale between FPB and the buyers.
3. Whether the said contract was enforceable under the statute of frauds.
4. Whether the conservator had the power to repudiate the authority of bank officers and revoke a perfected contract.
5. Whether there were reversible errors in the Court of Appeals' findings of facts.

Court's Decision:

1. The Supreme Court found that FPB engaged in forum-shopping because the issues in the second case were identical to the first case, which could lead to conflicting decisions. The derivative suit brought by the majority stockholders of FPB sought the same objective: to avoid the selling obligation to the buyers.
2. There was a perfected contract of sale. The exchange of communications between FPB and the buyers constituted an offer and an absolute acceptance. FPB's later repudiation, through the Conservator, was ineffective, as it came after the contract's perfection.
3. The contract was enforceable. The letters constituting the contract sufficed as memoranda to satisfy the statute of frauds. FPB's failure to object to oral evidence on the contract waived their defense under the statute of frauds.
4. The conservator did not have the power to revoke the contract post-facto. His powers were to preserve the assets of the bank and reorganize its management, not to unilaterally repudiate binding obligations, thus defying the non-impairment clause of the Constitution.
5. There were no reversible errors by the Court of Appeals. The findings of the appellate court were based on a preponderance of evidence and reasoned deliberation, and the Supreme Court is not a trier of facts on appeal.

Doctrine:

- The principle that valid contracts cannot be unilaterally rescinded by one party, including a bank conservator, without due process and in violation of the non-impairment clause of the Constitution.
- The concept that forum-shopping occurs when litigants seek favorable opinions in different forums and that such actions can lead to the dismissal of the case.

Class Notes:

Key Concepts:

- Forum-Shopping: Pleading identical issues in different courts to obtain favorable rulings, prohibited by the Supreme Court.
- Perfected Contract: A contract that meets the essential elements of consent, object, and cause, making it binding between the parties.
- Authority: A bank officer's apparent authority to transact binds the bank to the actions taken by the officer within their apparent scope of authority, even if subsequently revoked by a conservator.

- Statute of Frauds: Requires certain contracts to be in writing to be enforceable; however, failure to object to oral testimony on the contract may result in waiving the statute of frauds defense.
- Conservator's Powers: The conservator's powers under the Central Bank Act are for the preservation of assets and reorganization of the bank's management but do not extend to repudiating valid contracts after they have been perfected.

Relevant Law:

- Civil Code of the Philippines, particularly Articles 1318 (regarding contracts), 1403 (Statute of Frauds), 1405 (ratification of contracts infringing the Statute of Frauds).
- Central Bank Act (R.A. No. 265), particularly Section 28-A concerning the appointment and powers of a conservator.

Historical Background:

The case highlights the tension between the rights of third-party buyers and the responsibilities of conservators in rehabilitating financially distressed banks. During economic downturns or periods of financial instability, the balance between protecting the bank's viability and honoring existing contractual commitments becomes critical. Conservators are tasked with steering banks back to solvency, but their actions must still adhere to basic legal principles, including the protection of contractual rights and the prohibition against impairing the obligations of contracts. The case reflects the legal challenges in banking crises and the judiciary's role in upholding the law amidst efforts to stabilize the banking sector.